

customers a combination of both companies' content would not be available absent the merger because neither company offers, or could offer, its exclusive content over the *other company's network*.

Lower Prices for Consumer Equipment. The Efficiencies Report also predicts that the merger will lead to production scale efficiencies, better procurement and a more streamlined product portfolio.³⁹ This, in turn, will allow the manufacture of devices at lower cost, which would result in "[C [REDACTED]],"⁴⁰

Encourage Interoperable Radios. While Sirius and XM have spent much time and capital developing interoperable radios, these devices are currently larger, consume more power, and are more expensive and less feature rich than the current single-system radios. *See supra* Response to Request III(F). There is little commercial incentive for either company to subsidize the cost of an interoperable radio, because of the inherent uncertainty of whether the subsidy would be recouped since the buyer could subscribe to either company's service. However, as a practical matter and as more fully explained in response to Request IV(D), below, the transaction will create a commercial incentive to introduce interoperable receivers.

Increased Ability to Launch New Products and Services Through More Efficient Use of Spectrum. The Efficiencies Report estimates that the merger will create additional capacity. This, in turn, will give the merged company "[C [REDACTED] [REDACTED]],"⁴¹ Additional capacity could also be used

³⁹ Efficiencies Report at 86.

⁴⁰ *Id.*

⁴¹ *Id.* at 87.

“to increase competition in the supply of telematics products, such as traffic monitoring, that consumers are increasingly demanding in their vehicles.”⁴²

More Reliable Satellite Fleet. By improving the redundancy of the satellite fleet, the merger will increase the reliability of satellite radio, “[C [REDACTED] [REDACTED]]”⁴³

C. With respect to the synergies Applicants expect will materialize and result in more programming choices at lower prices, including claimed benefits from a la carte programming and programming efficiencies: (see Consolidated Application at 9-11, 13, 17⁴⁴; Joint Opposition at 10-14, 19-21):

(1) list each audio and video channel distributed in the United States currently by XM and for each such channel state:

(a) whether the content is exclusive to XM; and

(b) whether the content is also available on Sirius or over other media, including but not limited to terrestrial broadcast radio, cable television, Internet stream or download/podcast, or HD radio;

RESPONSE:

Provided in file folder “Exhibit 4(C)” is “channels.xls,” an Excel spreadsheet produced to the Department of Justice on September 4, 2007 as part of XM’s narrative responses. By agreement with the Department of Justice as reflected in a letter dated July 31, 2007 (which is included in file folder “Exhibit 4(C)”), the spreadsheet provides significant information regarding the following programming talent and channels:

Programming featuring the following

- William O. Ripken,
- David Ortiz,
- Andretti Green Racing,

⁴² *Id.* See also *supra*, Response to Request III(F).

⁴³ *Id.* at 86.

⁴⁴ See XM Satellite Radio Holdings Inc., Transferor, and Sirius Satellite Radio Inc., Transferee, Consolidated Application for Authority to Transfer Control (filed Mar. 20, 2007) (“Consolidated Application”).

- Jimmie Johnson Racing,
- Jr. Motorsports, Dale Earnhardt,
- Mike Krzyewski,
- Tyra Banks Show,
- Ellen Degeneres,
- Dr. Laura,
- Diane Sawyer,
- Willie Nelson,
- Bob Dylan,
- Doggystyle Records “Snoop Dog,”
- Disturbing the Peace, Ludacris,
- Opie & Anthony,
- Ron & Fez,
- Jim Norton,
- Patrice O’Neal,
- William Burr,
- Dave Nemo,
- Bob Edwards,
- Dale Summers, and
- Bill Mack.

All programming, excluding play lists, available on the channels

- Indy Racing League,
- Major League Baseball and related MLB programming,
- National Hockey League (NHL) and related NHL programming,
- NASCAR, including NASCAR 2,
- PGA Tour,
- ACC Football/Basketball,
- Big Ten Football/Basketball,
- Big East Football/Basketball,
- PAC-10 Conference,
- Southeastern Conference,
- XM Deportivo,
- SportPlus,
- XMSPTK Sports Nation (XM Channel 143/now 144 XMSN),
- Fox Sports Radio,
- ESPN Radio,
- ESPNEWS,
- World Cup 2006,
- ABC News & Talk,
- C-Span,
- CNBC,
- CNN,
- PRI,

- NPR,
- CNN Headline News,
- Fox News Channel,
- Fox News Talk,
- *USA Today*,
- The Virus, XM Channel 202,
- XM Comedy, Uncensored Comedy,
- Squizz, New Hard Rock,
- Laugh Attack, Uncensored Comedy,
- Playboy Radio,
- XM Fuego,
- Aguila,
- Caliente,
- CNN en Espanol,
- Viva,
- MLB en Espanol,
- Sur La Route,
- Quoi De Neuf,
- Family Talk,
- XM Kids,
- Vox Opera/Classical,
- XM Show On Broadway,
- XM Teen,
- XM 78 Escape,
- XMLTJZ Luna,
- Christian Talk,
- Open Road, Truckers' Channel,
- Radio Disney,
- The Power, African-American Talk,
- America Right,
- Air America Radio,
- Food Network,
- Harpo Radio, Inc., Oprah & Friends,
- Take 5 XM Channel 155, Women's Talk & Lifestyle,
- Talk Radio,
- The Rhyme, XM 65, Snoop Dogg's Classic Hip-Hop/Rap,
- Raw XM 66, New Uncut Hip-Hop,
- The Blend, XM 25, adult contemporary,
- Cinemagic, XM 27, Movie Soundtracks,
- The Joint, XM 101, Reggae,
- Willie's Place,
- Laugh USA,
- MTV Satellite,
- Motor Trend Radio,

- Radio Classics,
- Spirit, XM 33, Gospel,
- Starbucks,
- VH1 Radio,
- XMUAOR, *Deep Tracks*, XM Channel 40,
- XMPPRK, *Flight 26*, XM Channel 26,
- XMPOP1, XM Hitlist,
- XM COUN, US Country, XM Channel 17,
- XMHDRK,XMLM (liquid metal station), XM Channel 42,
- XM Classics,
- XM High Standards,
- XM The 70s,
- XM Music Lab,
- XM 76, *Fine Tuning*,
- Nashville!,
- Kiss,
- Mix,
- Sunny,
- WSIX, Nashville Country,
- WLW, XM 173,
- XM's Instant traffic, weather and alerts,
- XM Public Radio, and
- American Public Media.

The spreadsheet identifies whether the content is exclusive to XM and whether the content is also available on Sirius or over other media such as terrestrial radio, cable television, and the Internet, to the extent known by the Company. In addition, the spreadsheet contains:

- Information relating to whether the program is a full-time channel, part-time channel, a temporary channel, a show, or an event. (Column "G" of the "Channel Grid" sheet.)
- The date each program was first announced by the Company via a channel line-up press release. (Column "K" of the "Channel Grid" sheet.)
- The date the program first aired. (Column "L" of the "Channel Grid" sheet.)
- The ending air date of the program. (Column "M" of the "Channel Grid" sheet.)

The spreadsheet reflects the Company's assessment of each channel as of the date of the DOJ filing (September 4, 2007) and may not reflect the current channel offerings.

(2) for each channel identified in question (1)(a), indicate whether the company has obtained the rights necessary, if any, to distribute the programming by the combined company on an a la carte basis or as part of the "best of" or other proposed programming packages.

RESPONSE:

The Company has contractual relationships with hundreds of third parties in connection with the provision of content and channels over its platform, and the contracts setting forth the terms of these relationships are typically extensive and complex. In response to this Request, the Company has evaluated its major contracts and identified the provisions that expressly address whether the Company is entitled to offer the channel or content on its own platform as a package, a premium channel, or on an a la carte basis. This information is reflected in "channel rights summary.doc," a Word document chart provided in file folder "Exhibit 4(C)," along with additional information such as the length of the contract term, channel position, and other significant provisions that may impact the Company's ability to distribute programming on an a la carte basis or as part of the "best of" or other programming packages. [HC [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED].

The Company has provided this chart in a good faith attempt to provide the Commission with information responsive to this Request, but the chart is not intended to reflect a legal assessment on the topic and it would be impractical and speculative for the Company to provide such a response, particularly within the time frame set by the

Commission for responding to this Request. After the merger, the combined company will conduct a thorough legal analysis of the existing contracts to determine whether it would be necessary to renegotiate with various third parties to provide a la carte, “best of,” or other programming packages.

(3) with respect to the claim that the “combined company will be able to consolidate redundant programming,” provide a list of channels which are duplicative on XM and Sirius and expected to be consolidated.

RESPONSE:

As the companies stated in their Consolidated Application, it is expected that “the combined company will be able to consolidate much redundant programming.”⁴⁵ The combined company would be able to achieve significant merger-specific cost savings by providing company-generated content to subscribers on both platforms, thereby eliminating duplicative programming and other costs. For instance, as explained in the Consolidated Application, there are 75 channels that provide substantially similar programming by genre (e.g., each network offers a set of “decades” channels with music from the 1960s, 1970s, and 1980s, a classic soul channel, and an “indie rock” channel).⁴⁶ Of course, it is likely that not all of these channels will be consolidated; rather, after the merger, the combined company will fully assess the programming offerings and select superior program segments, celebrity hosts, and other appealing elements from both sets of channels, thus improving the overall quality of the channels the combined company will offer.

⁴⁵ Consolidated Application at 13.

⁴⁶ *Id.*

With respect to exact content programming that is currently available on both the XM and Sirius platforms, the combined company will be able to achieve merger-specific efficiencies by consolidating origination of broadcast signals and by negotiating a single contract with each of the third party content providers. The Excel spreadsheet entitled “channels.xls,” provided in response to Request IV(C)(1), identifies exact programming content simultaneously available on both the XM and Sirius platforms as of July 30, 2007. However, because the merger has not been completed, the parties have not yet engaged in detailed discussions regarding the operations of the merged company. The Efficiencies Report provides its independent assessment as to the efficiencies associated with the consolidation of duplicative programming. *See* Efficiencies Report at Section 3.2.1.2.

(4) explain why the proposed billing credit for subscribers who do not elect adult programming is a merger-specific benefit. In addition, address whether the Company would offer such a credit in the absence of merger approval.

RESPONSE:

Absent the efficiencies resulting from the merger, XM would not have the financial resources to provide a billing credit for subscribers who do not elect adult-themed programming. Absent the merger, XM has no plans to offer a billing credit to subscribers who do not elect adult-themed programming. However, XM will continue to block adult-themed programming on request, as it does now.

(5) explain what short-term and long-term plans currently exist to “provide increased opportunities for a wider variety of content providers,” to distribute niche programming to a wider audience via the merged entity. Explain why this benefit will only be achieved through the Transaction.

RESPONSE:

Because the merger has not yet been completed, XM has not engaged in detailed discussions with Sirius to explore plans, either in the short or long term, to provide increased opportunities for a wider variety of content providers, such as niche and diverse audiences. However, both XM and Sirius detailed in their Consolidated Application and Joint Opposition why such opportunities are likely to follow as a result of the merger.⁴⁷ Although both XM and Sirius have demonstrated their commitment to providing a wide variety of programming, and each company individually offers a vast number of choices for consumers seeking niche and diverse programming content, there are several reasons why the combined company will be better situated to offer such content and why a wider variety of content providers will be better able to reach the combined audience of XM and Sirius after the merger than they would be able to do absent the merger. First, because the merger will enable the combined company to realize considerable cost savings that could not be achieved absent the merger, the combined company will be in a stronger financial position to take more risks on programming that may attract a smaller audience.⁴⁸ Second, the combined company will have a far larger subscriber base than the companies individually and thus many content providers will find it more financially attractive to seek distribution arrangements through satellite radio. Third, existing niche program offerings that exist on one or the other platform (such as The Power, a 24-hour African-American talk channel exclusive to XM) would be available for carriage on Sirius, thus nearly doubling its reach.⁴⁹

⁴⁷ See, e.g., Consolidated Application at 13; Joint Opposition at 19-21.

⁴⁸ See Joint Opposition at 19.

⁴⁹ See *id.*

(6) with respect to radio receivers and other equipment needed to access the proposed, new program packages:

(a) provide all documents regarding the claim that “subscribers will be able to continue to use their existing radios.” Explain in detail what equipment, including any enhancements or additional devices, will be needed by subscribers to access these packages. Identify Applicants’ plans regarding target dates and the projected costs to subscribers for any enhancements or additional devices;

RESPONSE:

XM and Sirius have both committed to subscribers and to the public generally that “[n]o customer will need to purchase a new radio in order to keep substantially similar service.” This commitment was reiterated in the Joint Opposition filed with the Commission on July 24. No additional equipment will be necessary for a customer to select any of the programming packages discussed in the Joint Opposition except the a la carte options, which will require the purchase of a next-generation radio. The combined company will work expeditiously to deploy new radios capable of receiving programming on an a la carte basis in the near term and at a variety of price points.

Regarding their target dates for these offerings, Sirius and XM stated in their Joint Opposition that they would offer consumers the programming packages described above beginning within six months of the consummation of the merger, and would offer customers who select their channels through the Internet and purchase next-generation radios the opportunity to subscribe to either the 50-channel or the 100-channel a la carte packages detailed in Exhibits B and C of the Joint Opposition beginning within one year of the consummation of the merger.⁵⁰ Since that time, Sirius and XM have continued to work on and refine their plans and believe that the combined company may be able to accelerate the initial introduction of the a la carte packages. Of course, the current

⁵⁰ Joint Opposition at 14.

Sirius and XM packages will remain available before and after the merger. The combined company will offer these additional programming options to automakers, which, depending on their own schedules, will introduce them to purchasers and lessees of motor vehicles.

(b) if certain equipment or enhancements will be needed to access certain of these programming packages, but not others, specify the exact equipment and/or enhancements (e.g., chipsets, compression techniques) that will be required to make each of these programming packages available; and

RESPONSE:

As just noted, most of the additional packages will not require any new equipment, but subscribers will need to purchase a new radio if they want to purchase an a la carte subscription plan. With respect to next-generation radios capable of receiving programming on an a la carte basis, the Company anticipates that [HC [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(c) provide all documents regarding the claim that “subscribers will eventually purchase new radios capable of receiving all of the content of both services.” Explain whether all Sirius and XM subscribers – not just subscribers that select a la carte programming – will be required to purchase new radios capable of receiving all of the content of both services.

RESPONSE:

There are no XM documents regarding this prediction. No current XM or Sirius subscriber will be required to purchase a new radio in order to receive current programming or “best of” programming offered by the other provider. A subscriber will be required to purchase a new radio only if they choose an *a la carte* programming package or if they choose to have access to all stations on both services. For those customers who do not replace their equipment, Sirius and XM are committed to continuing to provide them with service. *See supra*, Response to IV(C)(6)(a). To ensure the continued functionality of subscribers’ existing radios, the combined entity will need to maintain full access to both companies’ current spectrum. *See supra*, Response to III(F).

(7) provide any and all documents that discuss, identify, quantify, or otherwise relate to the anticipated synergies.

RESPONSE:

The Efficiencies Report details the anticipated synergies.

D. With respect to Applicants’ claim that the merger will “foster the commercial introduction of interoperable satellite radios” thereby providing greater customer choice and convenience (see Consolidated Application at 15-16):

(1) explain whether Applicants will make commercially available the “radio that is interoperable with each other’s networks” as developed by the jointly funded engineering team and described in the Consolidated Application. If so, explain when this interoperable radio prototype will be commercially available.

RESPONSE:

In its response to Request III(E), the Company has provided a detailed discussion of the joint efforts of XM and Sirius to develop and commercialize interoperable satellite radio receivers, as well as the difficulties in such development and commercialization.

As stated in that response, XM expects that after the merger, the combined company will be better positioned to expedite the commercial availability of interoperable radios, and will have substantial incentives to *make interoperable radios commercially available*, as doing so will enable it to provide better service to both existing and future subscribers and thus to remain competitive in the robust market for audio entertainment services.

The full benefits to consumers of an interoperable radio—namely, receiving the widest selection of content—will not be fully realized for many years, however, because, as XM explained in its response to Request III(F), the combined company will need to continue broadcasting a full complement of programming to both the XM and Sirius platforms so that the millions of existing radios continue to receive service. To be sure, the combined company will be able to use hierarchical modulation technology as well as proprietary compression technology to create additional capacity that will allow it introduce new services despite this need to maintain the companies' legacy platforms long after the merger is consummated, as discussed above in response to Request III(F). Interoperable radios will further ensure that the combined company is able to introduce additional programming and services while it is broadcasting a full complement of programming to both platforms.

Notwithstanding the favorable marketplace conditions and incentives that the merger is likely to create, the commercial availability of interoperable radios depends in large part on factors outside of the control of either XM or Sirius, including consumer demand for interoperability and the willingness of manufacturers to manufacture, distribute, market, and sell interoperable radios after weighing the integration, qualification, costs, and efficiency considerations. Accordingly, neither XM nor Sirius

can project at this time precisely when the combined company would be able to make an interoperable radio commercially available on any scale.

(2) if not, explain whether Applicants will make commercially available a different radio prototype capable of receiving Applicants' combined signals, and when it will be available for commercial distribution.

RESPONSE:

See XM's response to Request IV(D)(1).

(3) provide all documents that detail the intermediate steps, internally and with regard to equipment manufacturers, that will occur prior to the commercial availability of radios capable of receiving all of the content of both services.

RESPONSE:

As discussed below in response to item IV(D)(5), [HC [REDACTED]
[REDACTED]] In addition, the constraints described in response to Request IV(D)(1) above have prevented XM from planning for the introduction of such radios on a commercial basis. Accordingly, no documents responsive to this particular request exist.

(4) identify Applicants' plans and target dates for the commercial distribution of interoperable radios at retail distribution centers and via automobile manufacturers. As part of this response, explain Applicants' plans for making new receiver equipment or enhancements available to consumers who have existing automobile SDARS receivers.

RESPONSE:

We do not expect that retail placement will be an issue. The normal lead time from concept introduction to placement at the key retailers is approximately four months. Consumers will have the option of trading up to new products when such products are introduced.

(5) identify electronics manufacturers who have committed to, or have expressed an interest in, producing Applicants' interoperable radio;

RESPONSE:

[HC [REDACTED]

[REDACTED]]

(6) identify anticipated prices for such equipment;

RESPONSE:

Because the merger has not been completed, XM has not had the opportunity to coordinate with Sirius to determine the anticipated prices for such equipment. Nor has XM individually conducted any studies to determine the appropriate retail price for such equipment.

(7) identify and describe Applicants' plans to subsidize interoperable radios;

RESPONSE:

Because the merger has not been completed, XM has not had the opportunity to coordinate with Sirius on any plans to subsidize interoperable radios.

(8) identify OEMs that have committed to installing interoperable radios.

RESPONSE:

At this point, [HC [REDACTED]]

(9) provide any and all documents that discuss, identify, quantify, or otherwise relate to the anticipated synergies; and

RESPONSE:

The Efficiencies Report details the technical synergies anticipated as a result of the merger.

(10) explain why these claimed benefits will be achieved only through the Transaction.

RESPONSE:

The Efficiencies Report details why these efficiencies cannot be captured by alternatives other than this transaction. In fact, all of the chipset-related savings outlined above are contingent on the merger. The merger will allow for design costs to be borne by one firm instead of two. Moreover, the merger will allow the new entity to employ the best in-house and third-party personnel, while limiting recurring engineering expenses.

E. With respect to Applicants' claim that the merger will accelerate deployment of advanced technology (see Consolidated Application at 14):

(1) identify the "wider range of low cost, easy-to-use, multi-functional devices" that will result from the merger;

RESPONSE:

Because the merger has not been completed, XM has not had the opportunity to coordinate with Sirius on the development of new products and technologies. However, it is believed that the efficiencies generated through the merger, in particular the increased research and development resources, will spawn the development of the wider range of low-cost, easy-to-use multi-function devices.

(2) identify the planned new services, such as advanced data and telematics services, including enhanced traffic, weather and infotainment offerings that will result from the merger;

RESPONSE:

Because the merger has not been completed, XM has not had the opportunity to coordinate with Sirius on the development of new services. However, it is believed that

the efficiencies generated through the merger will facilitate the provision of enhanced and additional services on XM's platform. XM is currently working to expand its NavTraffic into additional markets and investigating possible methods of expanding traffic flow data. In addition to XM's commercial aviation and marine weather offerings, XM is also working on emergency alert services (as described in response to Request IV(E)(4)) and

[HC

(3) identify any plans to make available to XM subscribers a service similar to SIRIUS Backseat TV, and when this service will be available to XM subscribers (see Joint Opposition at 22);

RESPONSE:

Currently, [HC

Because the merger has not yet been completed, XM has not engaged in detailed discussions with Sirius regarding technical issues in connection with advanced services such as Sirius Backseat TV. However, XM believes that, [HC [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(4) explain how the merger will enhance the delivery of emergency services programming and information (see Joint Opposition at 24);

RESPONSE:

Because the merger has not been completed, XM has not had the opportunity to coordinate with Sirius regarding the operations of the merged company. As such, XM does not have specific information regarding the enhanced delivery of emergency programming. However, it is believed that the efficiencies generated by the merger will enable the combined companies to continue to provide satellite-based communications to individuals in emergency situations. The merged entity could provide to a wider public audience alerts on its traffic, weather, and alert channels. In addition, it is believed that the combined companies could expand partnerships with commercial and State and

Federal government safety and security providers to create a robust satellite-based public emergency alert system.

(5) *with regard to XM's services to business/commercial customers:*

(a) **identify services offered by XM and the subscription fees; and**

RESPONSE:

XM does not separately track "business subscribers" as a category in the normal course of business. XM does, however, maintain business accounts with the following:

(i) Commercial accounts. XM makes its satellite radio service available to commercial establishments such as retail stores, health clubs, etc., where the XM broadcast may be aired for the enjoyment of customers. The standard monthly subscription rate for commercial accounts is \$27.95 with a one-time activation fee of \$14.99;

(ii) Airlines & Rental Cars. XM makes its satellite radio service available to a number of airlines (Airtran, JetBlue, and United) and car rental companies (Avis, National, and Alamo) for marketing and branding purposes. [HC [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]] The terms of these arrangements vary from partner to partner and do not necessarily follow an established subscription model;

(iii) Fleet companies. Fleet companies may purchase multiple radios for vehicle fleets at the consumer monthly subscription rate of \$12.95 for the first radio. Additional radios enjoy discounted monthly rates as low as \$6.99 (the family plan rate) for each additional radio;

(iv) Private aircraft companies. Private aircraft or marine companies may purchase XM WeatherWorks subscriptions at monthly rates ranging from \$29.99 to \$49.99.

(b) **identify which services will be available post-merger, their subscription fees, and any distinctions between services currently available; and**

RESPONSE:

Because the merger has not been completed, XM has not had the opportunity to coordinate with Sirius regarding the operations of the merged company. As such, XM does not have specific information regarding the services with regard to business commercial/customers that will be available post-merger. However, XM anticipates that the combined company will continue to provide the same or similar services as discussed above. The Company is unaware of any anticipated changes to the services currently available to business/commercial customers.

(6) **explain why these claimed benefits will be achieved only through the Transaction;**

RESPONSE:

The benefits described in response to Requests IV(E)(1) through (5) above can be achieved only through the merger because of the consolidation of resources and the resulting efficiencies and synergies the merger will create. The record, most particularly the Efficiencies Report, provides ample support that the merger will provide benefits otherwise unachievable.

(7) **provide any and all documents that discuss, identify, quantify, or otherwise relate to the anticipated synergies and claims.**

RESPONSE:

The Efficiencies Report details these anticipated synergies.

F. *With respect to Applicants' claim that the merger will safeguard the future of satellite radio and produce a stronger, more stable competitor in the audio entertainment market (see Consolidated Application at 17-20):*

(1) identify whether the merged entity will eliminate any of the satellites currently deployed by Applicants, respectively;

RESPONSE:

Because the merger has not been completed, the parties have not engaged in detailed discussions to explore specific steps necessary to integrate their operations, nor have they determined the degree to which the companies' satellite fleets can or will ultimately be consolidated. As discussed in XM's response to Request III(F), XM presently believes that under any integration and migration approach there can be no "flash cut" by the merged company to a common system platform, because the maintenance and co-existence of the legacy XM and Sirius platforms, along with the satellite and spectrum assets of each company, will be required for many years to maintain continuity of service with OEM customers (who maintain relatively long product design and deployment cycles) and the embedded base of XM and Sirius retail subscribers, as well as to realize several synergies and efficiencies of the merger over time.

Although XM and Sirius have not exchanged confidential business information, both parties have provided confidential business information to a third-party consultant to perform a detailed analysis of the efficiencies resulting from the Transaction. For this third party's independent view of how satellite assets might be rationalized in the long term, see Section 3.2 of the Efficiencies Report, provided in response to Request IV.

(2) identify whether the merged entity will eliminate any of the repeater networks currently deployed by Applicants, respectively;

RESPONSE:

In response to Request IV(F)(2), the Company incorporates by reference its response to Request IV(F)(1) above.

Additionally, while the parties have not exchanged confidential information at this time, they expect that some efficiencies may be gained as a result of the merger through the ability to co-locate certain existing repeaters within the parties' respective terrestrial networks. However, since both platforms must remain operational and available for many years, it is not anticipated that any repeaters will be eliminated for the foreseeable future.

(3) identify whether Applicants, absent the merger, will have access to capital markets to sustain continued research, development and technological innovation; and

RESPONSE:

XM's current business plan contemplates research and development necessary to support the business's growth on a stand alone basis. XM's standalone business plan is based on estimates regarding expected future costs and expected future revenue, and assumes refinancing of long term indebtedness as it matures. Provided that XM meets the revenue, expense, and cash flow projections of its business plan, XM expects to be fully funded and not to need additional liquidity to continue operations beyond its existing assets and credit facilities and cash generated by operations. XM's ability to access capital markets in the future on a standalone basis, whether for continued research and development or for other reasons, would depend on several factors, including future

market conditions, success or lack of success in developing, implementing, and marketing satellite audio service and data services, future creditworthiness, and restrictions contained in agreements with investors or lenders.

XM believes that continued research, development, and technological innovation undertaken by the Company on a standalone basis would be subject to more stringent cost controls, expense reductions, and limited financial flexibility than would be the case with the merged company on a going-forward basis. XM believes that following the merger, the combined company will have a greater financial and technological ability to sustain continued innovation, including better access to the capital markets, as the combined company should have a stronger financial foundation than either XM or Sirius on a standalone basis.

(4) provide any and all documents that discuss, identify, or otherwise relate to forecasts projecting ahead for periods beyond three years regarding the financial performance of the firm, including but not limited to subscribers, revenues, costs, profits, cash flow, and overall viability of the firm.

RESPONSE:

XM does not have any documents that discuss, identify, or otherwise relate to forecasts projecting ahead for periods beyond three years regarding the financial performance of the merged firm.

G. Describe any other public interest benefits that are expected to occur as a result of the proposed transaction, and provide a full explanation as to why those benefits would not be achieved absent the proposed transaction. Provide documents that serve to provide sufficient support for these benefit claims so that the Commission can verify the likelihood and magnitude of each claimed benefit.

RESPONSE:

Documents responsive to this Request are provided in the Company's documentary response at Bates Nos. XM-IV-G-00000001 through XM-IV-G-00000166. As described in response to Requests IV(A) through (F), the merger will have significant benefits for investors, subscribers, and the public. As the companies' filings and the record in this proceeding have consistently demonstrated, the merger of the two companies will provide subscribers with greater choice in programming options and packages and will attract new subscribers and new content. Subscribers will have the ability to tailor programming choices to their unique interests on an a la carte basis in ways the companies separately cannot now do.

Moreover, with efficiencies from the merger, the combined company will be able to offer revolutionary programming customization at lower costs. As the record demonstrates, the merged company will offer a la carte packages to subscribers at costs significantly less than, or equal to, less customized packages available from each of the companies individually and certainly far less than the cost to a subscriber who would otherwise need to purchase service from both companies to hear, for example, NFL and MLB games. A la carte offerings and other similar customization packages can only occur through the synergies and efficiencies created by the merger.

The record also demonstrates that the merger will spur the development of advanced services and technologies and the widespread availability of commercially viable interoperable radios. The merger will also benefit the public interest by enhancing the distribution of safety and critical emergency information including EAS messages in cases where terrestrial radio and other communications systems are more vulnerable to disruption.

Finally, the merger represents a significant opportunity to ensure satellite radio's growth at a crucial stage in its development. To date, both companies have made considerable capital investments and have engaged in aggressive marketing and pricing strategies to roll out and create demand for satellite radio. Much of the benefit of these investments and strategies will be recouped only with the synergies and efficiencies made possible by the merger.

For all of these reasons, the merger has drawn the support of a wide array of consumer groups, businesses, and elected leaders, including:

- Members of Congress including: Sanford Bishop, Rick Boucher, Corrine Brown, Yvette Clarke, Danny Davis, Eliot Engel, Ralph Hall, Alcee Hastings, Carolyn Maloney, Greg Meeks, Connie Mack, Bobby Rush, Pete Sessions, Ed Towns, and Anthony Weiner;
- Americans for Tax Reform;
- American Honda Motor Co. Inc.;
- Circuit City Stores, Inc.;
- Crutchfield Corporation;
- FamilyNet Radio;
- The Federation of Southern Cooperatives/LAF;
- Ford Motor Company;
- The Hispanic Federation;
- Hyundai Motor America;
- The Independent Women's Forum;
- The Intertribal Agriculture Council;
- Kia Motors America;
- Latinos in Information Sciences and Technology Association (LISTA);

- The League of Rural Voters;
- NASCAR Digital Entertainment, LLC;
- The National Council of Women's Organizations (NCWO);
- The National Latino Farmers and Ranchers Trade Association;
- New York State Federation of Hispanic Chambers of Commerce (NYSFHCC);
- The Oklahoma Black Historical Research Society, Inc.;
- Parents Television Council;
- RadioShack Corporation;
- The Second District of the African Methodist Episcopal Church (AME); and
- Women Involved in Farm Economics (WIFE).

Accordingly, and for the reasons advanced in the companies' numerous record filings, the FCC should approve this merger.